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May 15, 2006

Dr. Eric P. Schlaf  
Illinois Commerce Commission  
527 E. Capitol Avenue  
Springfield, IL 62701

**Re: Coalition of Energy Suppliers' Response to Initial Comments of  
Ameren, ComEd, CUB/City of Chicago, Reliant and Semptra**

Dear Dr. Schlaf:

The Coalition of Energy Suppliers ("Coalition")<sup>1</sup> provides the following response to the initial comments of the Ameren Companies ("Ameren"), the Commonwealth Edison Company ("ComEd"), the Citizens Utility Board ("CUB"), the City of Chicago ("City"), Reliant Energy ("Reliant") and Semptra Energy Solutions ("Semptra").

**Goals for Phase I and II**

The Commission has established a two phase workshop process. Each phase has its own distinct process and associated goals.

The first phase of the workshop is designed to assist the Commission in arriving at a working definition of retail competition.<sup>2</sup> Towards that goal, parties submitted draft definitions

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<sup>1</sup> The Coalition currently is comprised of Constellation NewEnergy, Inc., Direct Energy Services, LLC, MidAmerican Energy Company, Peoples Energy Services Corporation, and U.S. Energy Savings Corp. The positions set out herein represent the positions of the Coalition as a group, but do not necessarily represent the positions of individual Coalition member companies.

<sup>2</sup> See *Commonwealth Edison Company Proposal to implement a competitive procurement process by establishing Rider CPP, Rider PPO-MVM, Rider TS-CPP and revising Rider PPO-MI*, ICC Docket No. 05-0159, Final Order at 154 (Jan. 24, 2006); *Central Illinois Light Company d/b/a AmerenCILCO Central Illinois Public Service Company d/b/a AmerenCIPS Illinois Power Company d/b/a AmerenIP Proposal to implement a competitive procurement*

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to the Staff on April 22, 2006. (For your convenience, Attachment A to this letter includes all of the definitions that were proposed in the initial comments). Interested parties will convene by teleconference in the next few days in an effort to reach a consensus around one definition. Whether or not a consensus can be achieved for a working definition of “retail competition,” the Commission has requested that Staff report the findings of this first phase to the Commission.<sup>3</sup> The definition settled upon by the Commission will help to refine the Commission’s vision for retail electric competition in Illinois.

Upon the Commission’s acceptance of a definition of retail electric competition, the second phase of the workshop officially will begin.<sup>4</sup> During Phase II of the workshop process, parties are to develop recommendations regarding the most appropriate ways to promote competitive retail electric markets. Those recommendations are to be compiled in a report the Staff will prepare and submit to the Commission prior to December 31, 2006.

Whatever list is developed in Phase II of the workshop process should serve as a “living document” that could be refined over time and that could serve as a guide for the Commission as it fulfills its legislative directive to promote retail electric competition.<sup>5</sup> In other forums and various proceedings, the Coalition already has identified some of those opportunities to promote retail competition (e.g. revisions to ComEd’s use of the GAA form, expanded use of the EDI platform, and UCB/POR) which should be explored and evaluated within specific, relatively short timeframes. Other potential opportunities, if implemented, will help establish a framework for long term, ongoing activity, such as the creation of an Office of Retail Market Development as contemplated by HB4977.

As workshop participants work to develop an Issues List for Phase II, there is an immediate opportunity for interested parties to partner with the Commission to develop consumer education plans regarding the new Post-2006 structure for all levels of retail electric users. It is in the best interest of all industry participants to help consumers better understand the benefits of competitive electric markets and the upcoming changes to the Illinois retail electric market. All industry participants should be able to participate in the development of ComEd and Ameren’s customer education plans and materials. It is important that the Commission, customers, and retail electric suppliers (“RESs”) clearly understand the new default service rates and tariffs, and that customers understand their ability to choose to take electric supply from RESs. The sooner ComEd and Ameren make a committed effort to convey that understanding to customers, the better the Commission and other industry participants can help disseminate the

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*process by establishing Rider BGS, Rider BGS-L, Rider RTP, Rider RTP-L, Rider D, and Rider MV ICC Docket No. 05-0160/0161/0162 (Consol.), Final Order at 158 (Jan. 24, 2006).*

<sup>3</sup> *See. Id.*

<sup>4</sup> *See. Id.*

<sup>5</sup> 220 ILCS 5/16-101(d).

information throughout the State. ComEd's idea of holding a seminar on retail electric competition involving speakers from states with competitive retail markets also could be part of this collaborative statewide education plan.

### **The Proposed Definitions**

The Commission should be encouraged by the many thoughtful and insightful initial comments and definitions submitted by participants to this proceeding. In brief, the Coalition agrees with ComEd that any distinctions between residential and non-residential retail competition need not be reflected in the working definition of what constitutes retail competition. The Coalition also agrees with CUB/City's focus on the disciplining effects of competition. However, the Coalition disagrees with the proposed definition submitted by CUB/City to the extent it limits competitive activity to unaffiliated alternative retail electric suppliers ("ARES"). First, such a restriction is not required under the Public Utilities Act. Second, the Commission has adopted rules (and protections for consumers and unaffiliated ARES) regarding the ability of affiliated ARES to participate in the competitive market. The Coalition also agrees with ComEd, Sempra and Reliant that the definition's focus should be broader than just the electric commodity.

The Coalition looks forward to discussing these draft definitions further with other workshop participants toward the goal of developing a consensus definition. Toward that end, the Coalition has amended its own first draft definition as follows:

*Retail competition is characterized by the ability of consumers to choose from multiple alternatives for their supply, and any substitute or complimentary services and products, with varying value propositions to best suit their needs. The competitive process that suppliers and consumers engage in to develop these alternatives leads to innovation and a furtherance of consumer benefits including a downward pressure on retail prices as competitors seek the business of individual customers. Retail competition depends on low barriers to entry and on clear, transparent legal institutions governing the terms on which rival firms compete. The transition from monopoly to competitive retail markets requires ongoing and active regulatory oversight.*

As indicated last week, May 25 currently would be the most convenient date for the Coalition members to participate on a conference call to discuss the various definitions.

### **Consumers Have Expressed an Interest in Shopping for Electricity**

CUB asks the question, "do consumers really want to shop for electricity?" The involvement of RESs in proceedings such as this confirms the vision of the General Assembly in promoting customer choice. Suppliers continue to remain interested in the Illinois market. New suppliers continue to enter Illinois, spending time and their own financial capital to push for improvements in the market that would make it easier to serve customers at all levels. Certainly, this time and capital would not be spent in such a manner unless these companies believed consumers are interested in shopping for electricity.

Perhaps more telling are the views of consumers themselves. A recent survey commissioned by the Retail Energy Supply Association or "RESA," a trade group representing

independent energy suppliers, found that 87% of Connecticut voters want the ability to choose their electricity supplier, and just 10% want the state's utilities to get back into the electric generation business.<sup>6</sup>

### **Conclusion**

The members of the Coalition look forward to the upcoming teleconference and the opportunity to further discuss ways to encourage the development of a competitive retail electric market in Illinois.

Sincerely,

**CONSTELLATION NEWENERGY, INC.  
DIRECT ENERGY SERVICES, LLC  
MIDAMERICAN ENERGY COMPANY  
PEOPLES ENERGY SERVICES  
CORPORATION  
U.S. ENERGY SAVINGS CORP.**

By: /s/Christopher J. Townsend  
Christopher J. Townsend

CJT/ly  
Enclosure

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<sup>6</sup> The complete survey is available at:  
[http://news.yahoo.com/s/usnw/20060501/pl\\_usnw/new\\_poll\\_shows\\_connecticut\\_electric\\_consumers\\_prefer choice\\_and\\_competition147.xml](http://news.yahoo.com/s/usnw/20060501/pl_usnw/new_poll_shows_connecticut_electric_consumers_prefer_choice_and_competition147.xml).